

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Saline District Library</u>	County <u>Washtenaw</u>
Audit Date <u>November 30, 2005</u>	Opinion Date <u>January 6, 2006</u>	Date Accountant Report Submitted To State: <u>May 30, 2006</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address <u>1000 Oakbrook Drive, Suite 400</u>	City <u>Ann Arbor</u>	State <u>MI</u>	ZIP <u>48104</u>
Accountant Signature  			

# **Saline District Library**

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**Financial Report  
with Supplemental Information  
November 30, 2005**

# Saline District Library

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## Independent Auditor's Report

To the Board of Directors  
Saline District Library

We have audited the accompanying basic financial statements of the Saline District Library (the "Library") as of and for the year ended November 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Saline District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Saline District Library as of November 30, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules - General Fund as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

January 6, 2006

A member of



A worldwide association of independent accounting firms

## **Management's Discussion and Analysis**

This discussion and analysis of the Saline District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended November 30, 2005. Please read it in conjunction with the Library's financial statements.

### **Using this Annual Report**

The General Fund is presented on the modified-accrual basis of accounting, which is a short-term view that tells us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full-accrual basis to present a longer-term view of the Library as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The General Fund modified-accrual basis financial statements provide detail information about the Library's current financial resources. This information is important as it demonstrates compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The Library's full-accrual basis financial statements present information about the Library's total economic resources, including long-lived assets and long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Library on an ongoing basis.

### **Condensed Financial Information (Full-accrual Basis)**

The following table below shows key financial information in a condensed format:

	2005	2004
<b>Assets</b>		
Cash and cash equivalents	\$ 1,962,585	\$ 879,632
Investments	3,551,760	4,302,636
Capital assets	2,165,517	2,277,704
Total assets	7,679,862	7,459,972
<b>Liabilities</b>		
Long-term liabilities	1,084,028	1,229,910
Other liabilities	207,110	200,776
Total liabilities	1,291,138	1,430,686

## Management's Discussion and Analysis (Continued)

	2005	2004
<b>Net Assets</b>		
Invested in capital assets - Net of debt	\$ 975,517	\$ 942,704
Restricted for debt service payments	8,964	6,637
Restricted for donor-restricted purposes	6,963	6,963
Unrestricted	<u>5,397,280</u>	<u>5,072,982</u>
Total net assets	<u><b>\$ 6,388,724</b></u>	<u><b>\$ 6,029,286</b></u>
<b>Revenue</b>		
Property taxes	\$ 1,321,917	\$ 1,241,214
Other	<u>261,733</u>	<u>280,840</u>
Total revenue	1,583,650	1,522,054
<b>Expenses - Library services</b>	<u>1,224,212</u>	<u>1,234,177</u>
<b>Change in Net Assets</b>	<u><b>\$ 359,438</b></u>	<u><b>\$ 287,877</b></u>

### Full-accrual Analysis

The full-accrual statement of activities shows an increase in net assets of \$359,438. This reflects that taxpayers, current users, and supporters of the Library's services and facilities have paid the full cost of operating the Library, even after consideration of the depreciation of long-lived assets and the recognition of future obligations.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$5,397,280. Unrestricted net assets increased during the year by \$324,298, which is consistent with the Library's budgeted increase in fund balance on a modified-accrual basis as discussed below. The increase is attributed to favorable revenues, lower tax delinquencies, and higher state revenue sharing. Additionally, operating expenses were lower than anticipated.

## **Management's Discussion and Analysis (Continued)**

### **Modified-accrual Analysis**

The General Fund pays for all of the Library's services. The most significant are personnel and related staffing expenses of \$618,425, which account for 61 percent of the total operating expenditures. Library services of \$168,548 include collection purchases, programs, and Internet access, and total 17 percent of the total operating expenditures. The remaining categories "facilities and equipment" of \$177,937 comprise 17 percent of total operating expenditures and "other," which includes professional services, supplies, and other expenditures, is \$55,196, or 5 percent of total operating expenditures. Transfers totaling \$1,040,738 were made to the Construction Fund from the General Fund to fund future building expansion. An additional \$274,543 has been designated in the General Fund for transfer to the Construction Fund in 2006. Because of the transfers for construction, fund balance in the General Fund decreased by \$713,977 in fiscal year 2004/2005. Total fund balance increased by \$331,851. Fund balance increased \$303,578 in fiscal year 2003/2004.

### **Budgetary Highlights**

As required by State of Michigan law, the Library amended the budget to take into account events during the year.

Operating income exceeded the budgeted amount by \$45,762. The Library has traditionally budgeted revenue in excess of expenditures in order to accumulate fund balance for working capital needs and to provide discretionary funds when needed for capital improvements and maintenance.

The increase in the General Fund also reflects the Library's plan to ensure adequate funding for the replacement plan for building fixtures, equipment, and computer system needs, as well as unanticipated future infrastructure maintenance.

Fund increases are placed into designated accounts such as building improvement, equipment repair and replacement, technology, and contingencies (see Note 10 to the financial statements).

Using unrestricted funds from the Schrandt Endowment account and Library savings, the Construction Fund was created to partially fund a building expansion. The Library plans to start the construction in the 2006/2007 fiscal year.

There were no expenditures over budget for the year.

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

At the end of 2005, the Library had \$2,165,517 invested in a broad range of capital assets, including building, collections, furniture, and equipment (see Note 3 to the financial statements).

In 2005, the Library added shelving to accommodate increased collections and a staff workstation for the technology manager. A color copier and printer were added to enhance public service, as well as purchasing large screen monitors for selected workstations. The Library joined Michigan Library Exchange (MiLE), a consortium that provides an automated interlibrary loan system, allowing Saline patrons access to books from libraries throughout southeastern Michigan.

Standard and Poor's gave the Library an A+ credit rating when the Library refinanced its bonds in 2002. Since that time, the Library's financial position is the same or stronger.

### **Economic Factors and Next Year's Budget**

For the Library's 2005/2006 budget, expenditure increases generally reflect expected inflation of approximately 8 percent.

The Library continues to plan for the expansion of the building. Interest earnings from the Schrandt Endowment account and library savings account for approximately two-thirds of the anticipated \$3.5 million needed to build the addition. The Library will borrow the remaining monies and pay back the borrowings through operating funds. The Library has reserves that can cover the debt in case any difficulties arise.

Contingent upon the successful passage of an August 2006 election to increase the operating millage, the Library will move ahead with its construction plan of increasing the building to 33,000 square feet. Monies budgeted in next year's fiscal budget for the preliminary expansion work includes unspent funds from the 2005/2006 fiscal year.

### **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Leslee Niethammer, at (734) 429-5450.



# Saline District Library

## General Fund Balance Sheet/Statement of Net Assets November 30, 2005

	Fund Accounting			Full-accrual Basis	
	General Fund	Construction Fund	Total Modified-accrual Basis	Adjustments (Note 9)	Statement of Net Assets
<b>Assets</b>					
Cash and cash equivalents (Note 2)	\$ 916,757	\$ 1,045,828	\$ 1,962,585	\$ -	\$ 1,962,585
Investments (Note 2)	3,551,760	-	3,551,760	-	3,551,760
Fixed assets (Note 3)	-	-	-	2,165,517	2,165,517
Total assets	<u>\$ 4,468,517</u>	<u>\$ 1,045,828</u>	<u>\$ 5,514,345</u>	2,165,517	7,679,862
<b>Liabilities</b>					
Accrued and other liabilities	\$ 22,020	\$ -	\$ 22,020	-	22,020
Accrued interest payable	-	-	-	13,691	13,691
Long-term liabilities (Note 4):					
Bonds payable - Due within one year	-	-	-	150,000	150,000
Accumulated employee benefits - Due within one year	-	-	-	21,399	21,399
Bonds payable - Due in more than one year	-	-	-	1,040,000	1,040,000
Accumulated employee benefits - Due in more than one year	-	-	-	44,028	44,028
Total liabilities	22,020	-	22,020	1,269,118	1,291,138
<b>Fund Balance</b>					
Reserved for debt service (Note 5)	8,964	-	8,964	(8,964)	-
Reserved for restricted donation (Note 5)	6,963	-	6,963	(6,963)	-
Unreserved (Note 10):					
Designated for endowment	2,765,921	-	2,765,921	(2,765,921)	-
Designated for endowment projects	10,403	-	10,403	(10,403)	-
Designated for building improvements	440,400	-	440,400	(440,400)	-
Designated for equipment purchases	155,117	-	155,117	(155,117)	-
Designated for contingencies	261,214	-	261,214	(261,214)	-
Designated for technology and Internet	273,889	-	273,889	(273,889)	-
Designated for compensated absences	44,028	-	44,028	(44,028)	-
Designated for construction	274,543	1,045,828	1,320,371	(1,320,371)	-
Undesignated	205,055	-	205,055	(205,055)	-
Total fund balance	<u>4,446,497</u>	<u>1,045,828</u>	<u>5,492,325</u>	<u>(5,492,325)</u>	-
Total liabilities and fund balance	<u>\$ 4,468,517</u>	<u>\$ 1,045,828</u>	<u>\$ 5,514,345</u>		
<b>Net Assets</b>					
Invested in capital assets - Net of related debt				975,517	975,517
Restricted for debt service payments				8,964	8,964
Restricted for donor-restricted purpose				6,963	6,963
Unrestricted				5,397,280	5,397,280
Total net assets				<u>\$ 6,388,724</u>	<u>\$ 6,388,724</u>

# Saline District Library

## Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended November 30, 2005

	Fund Accounting			Adjustments (Note 9)	Full-accrual Basis
	General Fund	Construction Fund	Total Modified- accrual Basis		Statement of Activities
<b>Operating Revenue</b>					
Property taxes - Operating	\$ 1,131,069	\$ -	\$ 1,131,069	\$ -	\$ 1,131,069
Single business tax	14,085	-	14,085	-	14,085
State aid - Books	19,078	-	19,078	-	19,078
Penal fines	42,738	-	42,738	-	42,738
Fines and fees	34,581	-	34,581	-	34,581
Donations	9,080	-	9,080	-	9,080
Library services	9,559	-	9,559	-	9,559
Miscellaneous	2,589	-	2,589	-	2,589
Total operating revenue	1,262,779	-	1,262,779	-	1,262,779
<b>Operating Expenditures</b>					
Personnel	618,425	-	618,425	6,434	624,859
Library services	168,548	-	168,548	(117,729)	50,819
Facilities and equipment	179,656	-	179,656	229,916	409,572
Other operating expenditures	53,477	-	53,477	-	53,477
Total operating expenditures	1,020,106	-	1,020,106	118,621	1,138,727
<b>Operating Income</b>	242,673	-	242,673	(118,621)	124,052
<b>Nonoperating Revenue (Expenditures)</b>					
Property taxes - Debt service	190,848	-	190,848	-	190,848
Interest earnings - Debt service	1,197	-	1,197	-	1,197
Debt service:					
Principal	(145,000)	-	(145,000)	145,000	-
Interest	(44,698)	-	(44,698)	1,208	(43,490)
Investment earnings - Endowment	72,622	-	72,622	-	72,622
Investment earnings - Operating	36,887	5,090	41,977	-	41,977
Endowment donations	5,720	-	5,720	-	5,720
Endowment projects	(29,597)	-	(29,597)	-	(29,597)
Endowment administration charges	(12,398)	-	(12,398)	-	(12,398)
Investment earnings on donated stock	8,507	-	8,507	-	8,507
Total nonoperating revenue	84,088	5,090	89,178	146,208	235,386
<b>Excess of Revenues Over Expenditures</b>	326,761	5,090	331,851	27,587	359,438
<b>Other Financing Sources (Uses) - Operating</b>					
transfers in (out)	(1,040,738)	1,040,738	-	-	-
<b>Net Change in Fund Balance/Net Assets</b>	(713,977)	1,045,828	331,851	27,587	359,438
<b>Fund Balance/Net Assets - December 1, 2004</b>	5,160,474	-	5,160,474	868,812	6,029,286
<b>Fund Balance/Net Assets - November 30, 2005</b>	<u>\$ 4,446,497</u>	<u>\$ 1,045,828</u>	<u>\$ 5,492,325</u>	<u>\$ 896,399</u>	<u>\$ 6,388,724</u>

# Saline District Library

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## Notes to Financial Statements November 30, 2005

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

The accounting policies of the Saline District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Saline District Library:

#### **Reporting Entity**

The Saline District Library is governed by a seven-member board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

#### **Modified Accrual and Full Accrual Data**

The Library has two funds, the General Fund, the Library's primary operating fund, and the Construction Fund. The Construction Fund is used to account for the resources to be used for the eventual expansion of the Library's building.

The governmental funds are budgeted and accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Saline District Library's borders encompass the City of Saline and portions of Saline Township, York Township, Lodi Township, Pittsfield Township, Freedom Township, and Bridgewater Township. Property taxes are levied on each December 1. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2004 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended November 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

# Saline District Library

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## Notes to Financial Statements November 30, 2005

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

The 2004 taxable valuation of the Library's district totaled \$1.378 billion, on which taxes levied consisted of .8371 mills for operating purposes and .1413 mills for bond payments. This resulted in approximately \$1,131,000 for operating and \$191,000 for bond payments. These amounts are recognized in the General Fund's financial statements as property tax revenue.

In addition to presenting information for the funds, the basic financial statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified-accrual and full-accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full-accrual presentation.

#### **Financial Statement Amounts**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Investments** - Investments are recorded at fair value, based on quoted market prices.

**Capital Assets** - Generally, capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$500 capitalization threshold.

# Saline District Library

## Notes to Financial Statements November 30, 2005

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and support systems	20-50 years
Furniture and equipment	5-10 years
Interior shelving	20 years
Improvements	10-20 years
Collections	3-5 years

The Library purchases student art each year from the Saline High School Spring Art Show. The pieces are on public exhibition in the library building. The art collection is not capitalized or depreciated as part of capital assets as it meets all of the following conditions:

- a. Collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- b. Collections are protected, kept unencumbered, cared for, and preserved.
- c. Collections are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

**Compensated Absences (Vacation and Sick Leave)** - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Operating Transfers** - The operating transfer from the General Fund to the Construction Fund will be used to finance the eventual expansion of the Library's building.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated six banks for the deposit of Library funds. The investment policy for unrestricted funds adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the authorized investment vehicles listed above. The investment policy for the board-designated endowment fund and restricted funds adopted by the board has authorized investments in accordance with the Uniform Management of Institutional Funds Act, Public Act 157 of 1976. The Library's deposits and investment policies are in accordance with statutory authority.

# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 2 - Deposits and Investments (Continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$1,820,521 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. government notes	\$ 3,190,655	Counterparty

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity</u>
U.S. government notes	\$ 3,190,655	2.98 years

# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 2 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Money market fund	\$ 32,503	AAA	S&P

#### Concentration of Credit Risk

The Library places no limit on the amount the Library may invest in any one issuer.

#### Investment Earnings Summary

At November 30, 2005, the fair value and cumulative unrealized gain (loss) on the Library's investments were as follows:

	Original Cost/Donated Value	Fair Value	Unrealized Gain (Loss)
U.S. government securities	\$ 3,247,973	\$ 3,190,655	\$ (57,318)
Stock - Donated	20,000	65,283	45,283
Mutual funds	139,603	139,603	-
Total	<u>\$ 3,407,576</u>	<u>\$ 3,395,541</u>	<u>\$ (12,035)</u>



# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 2 - Deposits and Investments (Continued)

Investment earnings resulted from the following:

Unrealized loss on investments - End of year	\$ (12,035)
Unrealized gain on investments - Beginning of year	<u>64,132</u>
Current year change in market value	(76,167)
Other investment income - Interest, dividends, and realized gains	<u>200,470</u>
Total investment earnings	<u><u>\$ 124,303</u></u>

The classification of investment earnings per the statement of General Fund revenue, expenditures, and changes in fund balance/statement of activities is as follows:

Investment earnings:	
Debt service	\$ 1,197
Endowment	72,622
Trust	36,887
Donated stock	8,507
Construction Fund	<u>5,090</u>
Total investment earnings	<u><u>\$ 124,303</u></u>

# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 3 - Capital Assets

Capital asset activity of the Library is as follows:

	Balance December 1, 2004	Additions	Disposals and Adjustments	Balance November 30, 2005
Capital assets not being depreciated -				
Land	\$ 192,660	\$ -	\$ -	\$ 192,660
Capital assets being depreciated:				
Buildings	2,410,209	-	-	2,410,209
Site improvements	192,918	-	-	192,918
Interiors	181,163	2,705	-	183,868
Shelving	142,587	4,309	-	146,896
Automated library systems	95,418	269	-	95,687
Equipment	122,718	24,833	8,052	139,499
Collections - Library books, CDs, and audio/visual	<u>1,623,681</u>	<u>117,729</u>	<u>82,170</u>	<u>1,659,240</u>
Subtotal	4,768,694	149,845	90,222	4,828,317
Accumulated depreciation:				
Buildings	(132,246)	(12,861)	-	(145,107)
Site improvements	(872,710)	(42,847)	-	(915,557)
Interiors	(142,486)	(8,300)	-	(150,786)
Shelving	(56,122)	(7,351)	-	(63,473)
Automated library systems	(25,445)	(19,137)	-	(44,582)
Equipment	(79,946)	(18,638)	(7,637)	(90,947)
Collections - Library books, CDs, and audio/visual	<u>(1,374,695)</u>	<u>(152,483)</u>	<u>(82,170)</u>	<u>(1,445,008)</u>
Subtotal	<u>(2,683,650)</u>	<u>(261,617)</u>	<u>(89,807)</u>	<u>(2,855,460)</u>
Net capital assets being depreciated	<u>2,085,044</u>	<u>(111,772)</u>	<u>415</u>	<u>1,972,857</u>
Net capital assets	<u>\$ 2,277,704</u>	<u>\$ (111,772)</u>	<u>\$ 415</u>	<u>\$ 2,165,517</u>

# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 4 - Long-term Debt

Long-term debt activity can be summarized as follows:

	Balance December 1, 2004	Additions	Reductions	Balance November 30, 2005	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable - 2002 General Obligation bonds, original issue of \$1,605,000, maturing through 2012, with interest rates ranging from 2.50%-3.85%	\$ 1,335,000	\$ -	\$ (145,000)	\$ 1,190,000	\$ 150,000
Other long-term liabilities - Compensated absences	58,993	6,434	-	65,427	21,399
Total long-term debt and other long-term liabilities	<u>\$ 1,393,993</u>	<u>\$ 6,434</u>	<u>\$ (145,000)</u>	<u>\$ 1,255,427</u>	<u>\$ 171,399</u>

Compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

### Debt Service Requirements

The annual requirements to service all debt outstanding as of November 30, 2005 (excluding employee benefits) through maturity, including both principal and interest, are as follows:

Years Ending November 30	Principal	Interest	Total
2006	\$ 150,000	\$ 41,072	\$ 191,072
2007	155,000	36,872	191,872
2008	165,000	32,222	197,222
2009	170,000	26,860	196,860
2010	175,000	20,910	195,910
2011	180,000	14,348	194,348
2012	195,000	7,508	202,508
Total	<u>\$ 1,190,000</u>	<u>\$ 179,792</u>	<u>\$ 1,369,792</u>

### Interest

Interest expense of the Library for the year ended November 30, 2005 was approximately \$43,000.

# **Saline District Library**

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## **Notes to Financial Statements November 30, 2005**

### **Note 5 - Reserved Fund Balance/Restricted Net Assets**

Fund balance has been reserved for debt service in an amount equal to collections of debt millage in excess of bond payments to date.

During 1997, the Library received a donation of corporate stock valued at \$20,000 that was restricted for expenditures relating to the development of the Library's music collection and gardening improvements. Fund balance has been reserved in an amount equal to the donation less any expenditures.

Both of the above items meet the criteria that also require the amounts to be restricted on the statement of net assets.

### **Note 6 - Budget Information**

The annual budget is prepared and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at November 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total revenue and expenditures basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library board can be seen by examining the totals in the budgetary comparison schedule - General Fund in the required supplementary information section. The line-item detail shown is not part of the adopted budget and is shown for management analysis only.

### **Note 7 - Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for all such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 8 - Defined Contribution Retirement Plan

The Library provides pension benefits through a defined contribution plan, created in accordance with IRC Section 414(h), to all of its employees who work in excess of 20 hours per week on a regularly scheduled basis and who are not covered by a collective bargaining agreement. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service. As established by the trust, both the Library and the employees contribute 5 percent of gross earnings, which resulted in employer and employee contributions of \$21,350 each. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service.

### Note 9 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance</b> - Modified-accrual basis	\$ 5,492,325
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	2,165,517
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,190,000)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(13,691)
Compensated absences are included as a liability	(65,427)
<b>Net Assets of General Fund</b> - Full-accrual basis	<u>\$ 6,388,724</u>

# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 9 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements (Continued)

<b>Net Change in Fund Balances - Modified-accrual basis</b>	<b>\$</b>	<b>331,851</b>
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials	117,729
Capital outlay	32,116
Depreciation	(261,617)

Losses resulting from disposals of capital assets are reported in the statement of activities, but not in the fund statements	(415)
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Increase in accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	(6,434)
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Decrease in accrued interest reported as revenue in the statement of activities, but not in the fund statements	1,208
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Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>145,000</u>
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<b>Change in Net Assets of General Fund - Full-accrual basis</b>	<b>\$</b>	<b><u>359,438</u></b>
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# Saline District Library

## Notes to Financial Statements November 30, 2005

### Note 10 - Changes in Fund Balance - General Fund

	Reserved for		Designated for								Unreserved/ Undesignated	Total
	Debt Service	Restricted Donation	Endowment	Endowment Projects	Building Improvement	Equipment Purchases	Contingencies	Internet and Technology	Compensated Absences	Construction		
<b>Balance - December 1, 2004</b>	\$ 6,637	\$ 6,963	\$ 3,460,977	\$ 40,000	\$ 683,482	\$ 148,044	\$ 261,214	\$ 261,400	\$ 39,910	\$ -	\$ 251,847	\$ 5,160,474
Excess of revenue over expenditures	2,327	-	-	-	-	-	-	-	-	-	(716,304)	(713,977)
Additional designations	-	-	69,944	-	32,656	7,073	-	12,489	4,118	274,543	(400,823)	-
Transfers to Construction Fund	-	-	(765,000)	-	(275,738)	-	-	-	-	-	1,040,738	-
Expenditures from designations/reserves	-	-	-	(29,597)	-	-	-	-	-	-	29,597	-
<b>Balance - November 30, 2005</b>	<b><u>\$ 8,964</u></b>	<b><u>\$ 6,963</u></b>	<b><u>\$ 2,765,921</u></b>	<b><u>\$ 10,403</u></b>	<b><u>\$ 440,400</u></b>	<b><u>\$ 155,117</u></b>	<b><u>\$ 261,214</u></b>	<b><u>\$ 273,889</u></b>	<b><u>\$ 44,028</u></b>	<b><u>\$ 274,543</u></b>	<b><u>\$ 205,055</u></b>	<b><u>\$ 4,446,497</u></b>

## **Required Supplemental Information**

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# Saline District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2005

	Originally Adopted Budget	Final Amended Budget	Actual Balance	Actual Over (Under) Budget
<b>Operating Revenue</b>				
Property taxes - Operating	\$ 1,097,064	\$ 1,131,073	\$ 1,131,069	\$ (4)
Single business tax	14,000	14,085	14,085	-
State aid - Books	18,000	19,078	19,078	-
Penal fines	30,000	42,738	42,738	-
Fines and fees	30,300	34,091	34,581	490
Donations	10,500	11,079	9,080	(1,999)
Library services	7,700	9,340	9,559	219
Miscellaneous	-	1,130	2,589	1,459
Total operating revenue	1,207,564	1,262,614	1,262,779	165
<b>Operating Expenditures</b>				
Personnel	646,816	650,858	618,425	(32,433)
Library services	197,516	170,163	168,548	(1,615)
Facilities and equipment	268,000	190,016	179,656	(10,360)
Other operating expenditures	92,232	54,666	53,477	(1,189)
Total operating expenditures	1,204,564	1,065,703	1,020,106	(45,597)
<b>Operating Income</b>	3,000	196,911	242,673	45,762
<b>Nonoperating Revenue (Expenditures)</b>				
Property taxes - Debt service	188,377	190,848	190,848	-
Interest earnings - Debt service	1,321	1,182	1,197	15
Debt service:				
Principal	(145,000)	(145,000)	(145,000)	-
Interest	(44,698)	(44,698)	(44,698)	-
Investment earnings - Endowment	122,363	131,065	72,622	(58,443)
Investment earnings - Trust	39,300	50,412	36,887	(13,525)
Endowment donations	2,000	5,720	5,720	-
Endowment projects	(30,000)	(29,597)	(29,597)	-
Endowment administration charges	(16,716)	(15,578)	(12,398)	3,180
Investment earnings on donated stock	-	940	8,507	7,567
Total nonoperating revenue	116,947	145,294	84,088	(61,206)
<b>Excess of Revenues Over Expenditures</b>	119,947	342,205	326,761	(15,444)
<b>Other Financing Uses</b> - Operating transfers out	-	(1,042,638)	(1,040,738)	(1,900)
<b>Change in Fund Balance</b>	119,947	(700,433)	(713,977)	13,544
<b>Fund Balance</b> - December 1, 2004	5,160,474	5,160,474	5,160,474	-
<b>Fund Balance</b> - November 30, 2005	<u>\$ 5,280,421</u>	<u>\$ 4,460,041</u>	<u>\$ 4,446,497</u>	<u>\$ (13,544)</u>

## **Other Supplemental Information**

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# Saline District Library

## Other Supplemental Information Schedule of Operating Expenditures - General Fund Year Ended November 30, 2005

	General Fund - Modified- accrual Basis	Adjustments	Statement of Activities
<b>Personnel</b>			
Salaries and wages	\$ 518,248	\$ -	\$ 518,248
Fringe benefits	<u>100,177</u>	<u>6,434</u>	<u>106,611</u>
Total personnel	618,425	6,434	624,859
<b>Library Services</b>			
Collections	129,311	(117,729)	11,582
Online access	30,713	-	30,713
Programs	<u>8,524</u>	<u>-</u>	<u>8,524</u>
Total library services	168,548	(117,729)	50,819
<b>Facilities and Equipment</b>			
Repairs and maintenance	78,104	-	78,104
Capital improvements	40,036	(31,701)	8,335
Depreciation	-	261,617	261,617
Utilities	50,273	-	50,273
Insurance	<u>11,243</u>	<u>-</u>	<u>11,243</u>
Total facilities and equipment	179,656	229,916	409,572
<b>Other Operating Expenditures</b>			
Professional services	24,521	-	24,521
Supplies	20,594	-	20,594
Miscellaneous	<u>8,362</u>	<u>-</u>	<u>8,362</u>
Total other operating expenditures	<u>53,477</u>	<u>-</u>	<u>53,477</u>
Total operating expenditures	<u>\$ 1,020,106</u>	<u>\$ 118,621</u>	<u>\$ 1,138,727</u>



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March 16, 2006

To the Finance Committee  
Saline District Library

We have recently completed our audit of the basic financial statements of the Saline District Library (the "Library") for the year ended November 30, 2005. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the finance committee, board of directors, and others within the organization.

### **Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America**

We conducted our audit of the basic financial statements of the Saline District Library in accordance with auditing standards generally accepted in the United States of America. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

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An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

### **Auditor's Responsibility for Testing and Reporting on Internal Controls and Compliance with Laws and Regulations**

In the audit process, we gain an understanding of the internal control structure of an entity as well as the laws and regulations having a direct and material effect on the entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of company documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the entity's internal control structure or the entity's compliance with laws and regulations.

The limited purpose of these tests in a financial statement audit may not meet the needs of some users of auditors' reports who require additional information on internal controls and on compliance with laws and regulations. To meet certain audit report users' needs, laws and regulations often prescribe testing and reporting on internal controls and compliance to supplement the financial statement audit's coverage of these areas. In accordance with regulatory requirements covering federal (awards) financial assistance, supplemental testing of and reporting on internal controls and compliance was performed. Nevertheless, even after performing and reporting the results of these additional tests of internal controls and compliance required by laws and regulations, some reasonable needs of report users may still be unmet. We may meet these needs by performing further tests of internal controls and compliance with laws and regulations in either of two ways:

1. Supplemental (or agreed-upon) procedures, or
2. Examination, resulting in an opinion

For the year ended November 30, 2005, we were not engaged nor did we perform the additional services listed in 1 and 2 above.

### **Significant Accounting Policies**

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

### **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. We noted no matters related to sensitive accounting estimates.

### **Significant Audit Adjustments**

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. As a result of our audit, the only significant adjustments made were to adjust the Library's investments for unrealized gains and to adjust classifications of fund balance designations in the General Fund.

Auditing standards also require us to inform you about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of the unrecorded possible financial statement adjustments is included as an attachment to this letter.

### **Other Information in Documents Containing Audited Financial Statements**

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. It is our understanding that the audited financial statements are currently not expected to be included in any other document.

### **Disagreements with Management**

There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements, or the wording of the auditor's report.

### **Consultation with Other Accountants**

To our knowledge, there were no such consultations with other accountants.

### **Other Matters**

In addition, the following other matters came to our attention during our audit:

- Now that the Library has fully implemented the requirements of GASB Statement No. 34, we took a look back at the purchases of the Library's collection, and it appears that the collection is well cared for and may have an estimated useful life greater than originally estimated. The Library may wish to reevaluate the estimated useful life of the various components of the collection. If you decide to use an estimated useful life longer than the current estimate, it may more closely match the actual utilization and deterioration of the collection over the years it is in service. This would reduce the annual depreciation expense on the "full-accrual" statements. There would be no impact on the "fund-based" statements. This change would be applied prospectively to new purchases.
- The Library's asset capitalization policy states that purchased assets with a life of two years or greater are capitalized. This is a violation of accounting principles generally accepted in the United States of America (GAAP). GAAP requires capitalization of any asset with a useful life of one year or greater. During our testing, we did not note any assets that were not capitalized that would have been with a one-year threshold.
- The Library's check writing policy states that any check over \$12,000 is required to have a second signature. During our testing, we selected one check over \$12,000 that only had one signature. This appears to have been an anomaly as other checks over \$12,000 did have the required second signature.

To the Finance Committee  
Saline District Library

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March 16, 2006

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, reading "Leslie J. Pulver". The signature is written in a cursive style with a large, stylized "L" and "P".

Leslie J. Pulver



# Saline District Library

## Summary of Unrecorded Possible Adjustments

		Increases (Decreases)				
<u>Ref. #</u>	<u>Description of Misstatement</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenditures</u>
<b>Known Misstatements:</b>						
A1	To record payable to shelving at 11/30/05		\$ 5,044			\$ 5,044
A2	Adjust accrued payroll to actual		9,967			9,967
A3	Adjust cash to actual for accrued interest	\$ 4,053			\$ 4,053	
<b>Estimate Adjustments:</b>						
B1	None					
B2						
<b>Implied Adjustments:</b>						
C1	None					
C2						
Combined effect		<u>\$ 4,053</u>	<u>\$ 15,011</u>	<u>\$ -</u>	<u>\$ 4,053</u>	<u>\$ 15,011</u>